

**HORNELL AREA INDUSTRIAL DEVELOPMENT
CORPORATION**

HORNELL, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2020 AND 2019



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 155,747	\$ 191,636
Loans Receivable	<u>87,620</u>	<u>-</u>
TOTAL CURRENT ASSETS	\$ 243,367	\$ 191,636
<u>OTHER NON-CURRENT ASSETS</u>		
Loans receivable	<u>\$ 151,785</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 395,152</u>	<u>\$ 191,636</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ -	\$ 2,500
<u>NET ASSETS</u>		
Without donor restrictions	<u>395,152</u>	<u>189,136</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 395,152</u>	<u>\$ 191,636</u>

The accompanying notes are an integral part of these financial statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>REVENUES</u>		
Donated services	\$ 1,398	\$ 584
Contributions - economic development	250,000	-
TOTAL REVENUES	<u>\$ 251,398</u>	<u>\$ 584</u>
<u>EXPENSES</u>		
Program services - promotions	\$ 42,344	\$ 22,022
Support services - management and general	4,594	3,663
TOTAL EXPENSES	<u>\$ 46,938</u>	<u>\$ 25,685</u>
OPERATING INCOME (LOSS)	\$ 204,460	\$ (25,101)
Interest income, other	1,556	2,142
CHANGE IN NET ASSETS	\$ 206,016	\$ (22,959)
Net assets at beginning of year	189,136	212,095
NET ASSETS AT END OF YEAR	<u>\$ 395,152</u>	<u>\$ 189,136</u>

The accompanying notes are an integral part of these financial statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>	
	<u>Promotions</u>	<u>Management and general</u>	<u>2020</u>	<u>2019</u>
Professional fees	\$ 42,344	\$ 4,498	\$ 46,842	\$ 25,606
Office expense	-	96	96	79
	<u>\$ 42,344</u>	<u>\$ 4,594</u>	<u>\$ 46,938</u>	<u>\$ 25,685</u>

The accompanying notes are an integral part of these financial statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Cash received for economic development	\$ 250,000	\$ -
Cash payments management and general expenses	(3,196)	(3,079)
Cash payments contractual expenses	<u>(44,844)</u>	<u>(40,338)</u>
NET CASH (USED FOR) OPERATING ACTIVITIES	\$ 201,960	\$ (43,417)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Interest received	\$ 1,556	\$ 2,142
Loans issued to small businesses	(249,100)	-
Principal payments received on loans	<u>9,695</u>	<u>-</u>
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	<u>\$ (237,849)</u>	<u>\$ 2,142</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (35,889)	\$ (41,275)
Cash and cash equivalents at beginning of year	<u>191,636</u>	<u>232,911</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 155,747</u>	<u>\$ 191,636</u>

The accompanying notes are an integral part of these financial statements.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Hornell Area Industrial Development Corporation, (the "Corporation") was created in 1962 under the provisions of the New York, Not-For-Profit Corporation Law for the purpose of stimulating reinvestment in the residential, commercial and industrial areas within Steuben County, New York.

The Corporation has established a Small Business Loan program from contributions obtained from the city of Hornell Industrial Development Agency. The Corporation offers low interest rate loans to local small businesses that are experiencing financial difficulty as a result of the COVID-19 pandemic. Loans are approved by the governing board after consideration of various criteria.

Basis of accounting

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States. Revenues are recognized when earned and expenses are recognized when incurred.

The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net assets without donor restrictions - The net assets over which the Board of Directors has discretionary control to use in carrying on the Corporation's operations in accordance with the guidelines established for the Corporation. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net assets with donor restrictions - Net assets that are subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Corporation had no net assets with donor restrictions at December 31, 2020 and 2019.

Cash and cash equivalents

For purposes of presenting the Statement of Cash Flows, the Corporation considers all highly liquid cash accounts and other temporary investments of twelve months or less as cash equivalents.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2020 AND 2019

Income taxes

The Corporation was organized under Article XIX of the New York State Membership Corporation's Law exclusively for public, charitable, and educational purposes, as are within the meaning of Internal Revenue Code Section 501(c)(3). As such the Corporation is exempt from federal and state taxes. All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2019. The tax years ending December 31, 2019, 2018, 2017 and 2016 are still open to audit for federal and state purposes.

Allocation of expenses

The costs of providing the program and supporting services have been summarized on the functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Loans Receivable

Loans receivable are stated at principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Revenues

The Corporation recognizes interest revenue on its loans monthly as earned. The Corporation received \$250,000 of federally sourced funds to provide an economic development loan program for local businesses suffering from the COVID-19 pandemic.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Corporation is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Corporation's financial position or results of operations.

NOTE B: DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. While the Corporation does not have a specific policy for custodial credit risk, New York State statutes govern the Corporation's investment policies, as discussed previously in these notes. Deposits at December 31, 2020 and 2019 were fully covered by FDIC insurance.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2020 AND 2019

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 155,747	\$ 191,636
Current portion of loans receivable	<u>87,620</u>	<u>-</u>
TOTAL	<u>\$ 243,367</u>	<u>\$ 191,636</u>

Loans Receivable:

The Corporation has 22 outstanding loans receivable from the Small Business Loan Program that have interest rates of 1% with maturities in years 2021 through 2023. As of December 31, 2020, the Corporation had the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Loans Receivable	\$ 239,405	\$ -
Less: Current Portion	<u>(87,620)</u>	<u>-</u>
Total Long-Term Loans Receivable	<u>\$ 151,785</u>	<u>\$ -</u>

NOTE C: NET ASSETS

Net assets without donor restrictions - operating
Represents funds available for operations.

NOTE D: COMMITMENT AND CONTINGENCIES

As of the date of this report management is not aware of any pending litigation.

NOTE E: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to the program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2020 AND 2019

NOTE F: RELATED ENTITY

The city of Hornell Industrial Development Agency (CHIDA) is a public benefit corporation and was created in 1974 under the Title I Article 18-A of New York State General Municipal law for the purpose of encouraging financially sound companies to locate and expand in the City of Hornell. The CHIDA is considered a related entity since its members are also directors of the Corporation. The Corporation directors have complete responsibility and accountability for their fiscal matters. The CHIDA was created under the Laws of New York State and its functions or activities are not included in the Corporation's financial statements.

In accordance with the Financial Accounting Standards Board Accounting Standard 958, Not-for-Profit Entities, during the years ended December 31, 2020 and 2019, the Corporation recognized \$1,398 and \$584 of donated services from the CHIDA, respectively. There are no amounts due from or due to the CHIDA as of December 31, 2020 and 2019.

NOTE G: SUBSEQUENT EVENTS

Events and transactions which have occurred between December 31, 2020 and March 18, 2021, the date of these financials, have been evaluated by the Corporation's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.

NOTE H: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of corona virus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board Members
Hornell Area Industrial Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Hornell Area Industrial Development Corporation, Hornell, New York (the Corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
March 18, 2021

HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2020

I. Summary of the Auditors' Results

Financial Statements

a) Type of auditor's report issued	Unmodified
b) Internal control over financial reporting	
1. Material weaknesses identified	No
2. Significant deficiency(ies) identified	No
c) Noncompliance material to financial statements noted	No

II. Financial Statement Findings

There were no current year findings and there were no prior year findings.